

Determinants of Farmers' Participation in Formal Credit Markets in Rural Rwanda

Wivine Muhongayire^a, Patrick Hitayezu^{b*}, Oliver Lee Mbatia^c and Sabina Makhoka Mukoya-Wangia^d

^a*Directorate of Research, Rwanda Agriculture Board (RAB), Kigali, Rwanda*

^b*Department of Rural Development and Agribusiness, Higher Institute of Agriculture and Animal Husbandry (ISAE), Musanze, Rwanda*

^{c,d}*Department of Agricultural Economics, University of Nairobi, Nairobi, Kenya*

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ABSTRACT Access to credit is a necessary ingredient for policies aiming at transforming rural economies, particularly for a largely subsistence agricultural economy such as Rwanda. Despite the increasing number of formal financial institutions penetrating rural areas in the country, access to credit among the majority of agricultural households remains limited. This study assesses micro-level factors influencing Rwandan farmers' participation in formal credit markets as borrowers, using Rwamagana District as an illustrative case. Survey data of 185 farm households were employed in a binary Logit regression analysis. The results reveal that the likelihood of farmers participating successfully in formal credit markets increases with education, off-farm incomes, and agricultural extension, and decreases with the presence of informal financial systems in the neighbourhood. The study concludes with key rural development policy recommendations.